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**WAYS TO ENHANCE THE PRODUCTION AND EXPORT CAPACITIES OF
DEVELOPING COUNTRIES OF AGRICULTURE AND FOOD PRODUCTS,
INCLUDING NICHE PRODUCTS, SUCH AS ENVIRONMENTALLY
PREFERABLE PRODUCTS**

Note by the UNCTAD secretariat

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INTRODUCTION

1. The Expert Meeting on "Ways to Enhance the Production and Export Capacities of Developing Countries of Agriculture and Food Products, Including Niche Products, Such as Environmentally Preferable Products" was held in Geneva from 16 to 18 July 2001.¹ The emphasis was on identifying the critical constraints on establishing a strong production and export capacity, and making proposals on policies and strategies for addressing those constraints. The meeting covered in particular: (a) trends in world trade in food and agricultural products; (b) production and export constraints of developing countries; (c) quality and product differentiation; and (d) organic food and agricultural products. Participants included policy makers, non-governmental organizations, academics, the business community (including certification bodies and producer organizations), international organizations and the International Federation of Organic Agricultural Movements (IFOAM).

2. To assist the experts in their discussions, document TD/B/COM.1/EM.15/2 was circulated in advance of the meeting. The recommendations of the experts and the Chairperson's summary are contained in the report of the meeting (TD/B/COM.1/41 and TD/B/COM.1/EM.15/3). These reflect individual experts' views and policy options for Governments, the international community and UNCTAD regarding ways to enhance developing countries' capacities for the production and export of agriculture and food products, including niche products, such as environmentally preferable products (EPPs). In addition, a wealth of information was presented at the meeting, including over 20 papers submitted by experts.

3. The Commission's task is to turn the outcome of the meeting into agreed conclusions and recommendations for policy action at the national and international levels, including for UNCTAD. The present document attempts to facilitate that task by highlighting important areas for policy action that emerged from the Expert Meeting's discussions and outcome and by providing information on certain recent activities by the secretariat. The secretariat issued a communication, dated 27 August 2001, inviting comments on the outcome of the meeting, in particular relating to the following:

- Relevant policy measures that have been or will be undertaken at the national level;
- Relevant initiatives at the international and regional levels that have been or should be launched and/or supported;
- Elements of the outcome that would require follow-up actions by the Commission in the next two years;
- Proposals on a work programme to implement experts' recommendations;
- Needs for specific technical assistance programmes arising from the outcome.

¹ This Expert Meeting related to two sections in the Plan of Action adopted at UNCTAD X: "Strengthening supply capacities in export-oriented sectors of commodities" and "Trade and environment". Under the Plan of Action, UNCTAD's work on commodities should, among other things, focus on "Identifying ways to improve the supply capacity of commodity-producing countries, as well as obstacles hampering the development of processing industries, and assisting commodity-dependent countries on how to fully exploit commodity diversification as a major potential avenue to industrialization" (paragraph 144). Furthermore, UNCTAD's work on trade and environment should among other things focus on "supporting developing countries' efforts in promoting production of and trading opportunities for environmentally preferable products" (paragraph 147).

4. At the time of the drafting of this document, no formal comments had been received in response to the above-mentioned communication. Following the Expert Meeting cooperation with several institutions has been initiated or strengthened by the secretariat.

5. Many of the recommendations that were made concern ways to enhance the production and export capacities of developing countries in respect of all agricultural products. However as the case of organic products presented an added element of focus, these recommendations are sometimes formulated in that context.

Chapter I

RECOMMENDATIONS AT THE NATIONAL LEVEL

A. Agriculture in general

6. Experts pointed out that the share of developing countries in traditional commodity markets had declined by about a fifth since the early 1970s. Only a few developing countries had benefited from the growth in dynamic products, such as vegetable oils, vegetables, fish, cut flowers and poultry. Governments should therefore support the development of the agriculture sector, in particular the production of high-value products, improvement of quality and better participation in global value chains. In this respect, they should:

Strive for a supportive international trading system by

- Defending national and business interests strongly at the World Trade Organisation and providing WTO-acceptable support to the agriculture sector, in particular for research and development and quality assurance;

Provide economic and institutional support, such as

- Taking fiscal and other measures to attract investment and technologies into new areas and taking into account the views of professional associations in formulating support policies and measures;
- Putting in place legal and institutional structures for new forms of finance such as warehouse receipts, and encouraging banks to provide finance to diversifying enterprises;
- Identifying appropriate policies to address the deterioration of terms of trade between agricultural and manufactured products;
- Assisting in the dissemination of market information;
- Facilitating the development of clusters that strengthen linkages in the economy. (As seen in several developing countries, such natural-resource-based growth poles can provide significant dynamism for structural change.)

B. Organic agriculture

7. Experts paid special attention to options for enhancing production and trading opportunities for organic agriculture. Policies to promote production and exports of organic products should, however, be put in perspective, as organic agricultural markets were still small and in most countries represented less than 2 per cent of total demand for food products.²

8. Experts emphasized the importance of well-defined policies, including institutional support and export promotion, to strengthen developing countries' capacities to take advantage of trading opportunities for organic products as well as other agricultural products. They recommended that Governments put in place supportive policies and play a proactive role in promoting development of the organic sector. Governments should take the following actions in several areas, including:

Increasing awareness and overall support

- Increasing awareness of the environmental, economic and other benefits of organic agriculture and non-wood forest products, as well as trading opportunities for developing countries;
- Promoting national multi-stakeholder committees to develop organic policies and a national plan for the organic sector;

Standards and certification infrastructure

- Designing, implementing and enforcing national and regional standards, based on international standards such as the IFOAM Basic Standards;
- Promoting certification infrastructure, including local certification bodies, in particular where there is a potential for significant organic production and exports;

Financial incentives and support

- Designing subsidies or incentive systems to support development of the organic sector;
- Where possible, providing financial support to farmers, particularly during conversion periods;

² The International Trade Centre UNCTAD/WTO pointed out that organically grown products currently accounted for approximately 1 - 2 percent of total food sales in most developed countries, and amounted to about US\$ 17.5 billion per year. The size of the organic market had grown substantially over the last decade. Although no systematic production and trade statistics on organic products were available, estimates suggested that certified organic production existed in more than 140 countries, including 90 developing countries, of which 20 were Least Developed Countries. Global demand was forecast to increase annually by 15 - 20 per cent in the medium term. Fresh fruits, tropical beverages, spices, grains and sugar appeared to be among the most promising products for developing country producers and exporters.

Scientific and technical support

- Providing training and technical advice on organic farming practices through agricultural extension services and developing information networks among farmers;
- Promoting research into organic seeds, pest control and fertilizers adapted to local conditions;

Market development support

- Promoting suitable marketing strategies and partnerships;
- Supporting the development of a domestic market for organic agricultural products.

Chapter II

RECOMMENDATIONS TO THE INTERNATIONAL COMMUNITY

A. Agriculture in general

9. Experts addressed several recommendations to the international community to support the efforts of developing countries, particularly LDCs, to develop supply capacities and improve market access and market entry conditions for agricultural products.

10. Regarding market access and entry conditions, the international community should:

- Eliminate all protectionist barriers to trade and simplify and harmonize standards, based on international standards.

11. Regarding the development of supply capacities, the provision of financial and technical support, and the importance of certain modalities and specific forms of assistance, were highlighted. In this connection, the international community should take measures aimed at:

- Assisting producers and processors in meeting standards and quality requirements, and providing financial and technical support to research and extension, as well as to the procurement of high-quality inputs;
- Supporting capacity building in all areas, from production to marketing and finance, and including stakeholders in designing assistance;
- Providing financing directly to the private sector, including for venture capital, and supporting participation in trade fairs;
- Increasing official development assistance to agriculture and strengthening the resources of the Common Fund for Commodities in order to increase its role in enhancing the productive capacities of developing countries.

B. Organic agricultural production and trade

12. Experts also made specific recommendations to support the efforts of developing countries, particularly LDCs, to derive economic, social and environmental benefits from organic agriculture and trade. Access to markets for food products, including organic products, was of key importance for developing countries' exporters. A number of experts noted that problems that affected most agricultural and food exports of developing countries included, the very large number of standards set by governmental and private bodies, divergent certification requirements, and multiple subsidies and preference for locally produced organic products. Trade policy issues included technical assistance under the Agreement on Technical Barriers to Trade and the Agreement on the Application of Sanitary and Phytosanitary Measures, harmonization of standards, equivalence, subsidies, non-trade concerns and tariff-rate quotas (in the Agreement on Agriculture), and possible trade preferences. As regards the latter, some experts referred to the option of granting special quotas for organic produce within tariff-rate quota systems and the inclusion of organic products in the Generalized System of Preferences.

Developing standards and reducing certification costs

13. According to many experts, a key question was how to reduce the costs of certifying organic producers, particularly smallholders, in developing countries. Experts recommended that possible actions by the international community could focus on:

- Reducing costs of certification of organic producers in developing countries by (i) setting up local certification systems, (ii) promoting smallholder certification, and (iii) reducing the costs of international accreditation for certifiers in developing countries;
- Assisting developing countries in designing national and regional organic standards, based on international standards such as the IFOAM Basic Standards and the Codex Alimentarius Guidelines for the Production, Processing, Labelling and Marketing of Organically Produced Foods;
- Including non-wood forest products in existing labelling and certification schemes for organic products.

Facilitating access to organic markets in developed countries

14. Experts recommended a number of actions that could be taken by developed countries, in particular:

- Ensuring transparent and simple rules and requirements governing imports of products for sale in their organic markets, including through the application of the concept of equivalence;
- Providing information on organic standards and regulations, market opportunities and other factors relevant to exporters from developing countries;
- Extending benefits to organic agricultural products in preferential trade arrangements.

Harmonization of standards

15. Many experts expressed concern that the plethora of standards and regulations at the international, regional and national levels creates difficulties for exporters, particularly those from developing countries. Currently, there are hundreds of private sector and government standards.³ Most standards are based on the IFOAM Basic Standards and the Codex Alimentarius Guidelines. Thus, they are similar but not identical. These systems have developed in parallel with little interaction or consultation. The problem is not so much their divergent nature, as the lack of appropriate mechanisms to establish equivalence.

16. More work is needed on harmonization and equivalence of standards. However, negotiating bilateral mutual recognition agreements between countries is a time-consuming process. Experts therefore recommended that the international community promote and facilitate a framework of harmonization, including the IFOAM Basic Standards and

³ This scenario is further complicated by a multitude of governmental approval systems for domestic and foreign certification, and several accreditation systems.

Accreditation Programme, which establishes a framework for mutual recognition between IFOAM-accredited certifiers.

17. UNCTAD could contribute to international efforts in this regard. The UNCTAD secretariat has accepted an invitation by IFOAM to cooperate closely in the organization of a Conference on "international harmonization and equivalence in organic agriculture", to be held in Nuremberg, Germany, on 18 and 19 February 2002.

Trade policy issues

18. In addition to the above-mentioned reference to harmonization of standards, experts made certain recommendations that are relevant in the area of trade policy, including discussions in the WTO. These include:

- Facilitating technical assistance, including under the Agreement on Technical Barriers to Trade and the Agreement on the Application of Sanitary and Phytosanitary Measures, to help developing countries meet organic standards in international markets as well as participate in international standard-setting bodies;
- Carefully examining the implications, if any, for developing countries of subsidies to assist farmers in converting to organic production and in post-conversion support programmes;
- Identifying and helping to develop the proper support and incentive mechanisms for the development of strong organic production systems in developing countries, especially to assist farmers in converting to organic production.

Chapter III

RECOMMENDATIONS TO UNCTAD

A. Recommendations by experts

19. Experts recommended that UNCTAD should, in cooperation with International Trade Centre, Food and Agricultural Organization of the United Nations, IFOAM, United Nations Environment Programme (UNEP) and other relevant institutions, contribute to the development of the supply capacity of developing countries and assist them in deriving advantage from growing markets for agricultural products, including organic products, and non-wood forest products. Such recommendations covered a number of activities, in particular:

Policy analysis

20. Recommended activities include:

- Providing market analysis and strategies, including through the enhanced use of electronic commerce;
- Carrying out analysis and promoting policy dialogues on agricultural trade and sustainable development aspects of organic agriculture.

Technical cooperation projects

21. Recommended activities include:

- Undertaking surveys to identify production and export opportunities;
- Implementing pilot projects to assist in the design and execution of diversification programmes;
- Implementing pilot projects on innovative financing such as warehouse receipts;
- Promoting national and regional capacity building projects, in particular in the framework of the UNEP - UNCTAD Capacity Building Task Force on Trade, Environment and Development (CBTF), to support interested developing countries in promoting trading opportunities for EPPs;
- Promoting and facilitating of the creation of local and regional certification bodies in developing countries, particularly LDCs;
- Further developing of the TRAINFORTRADE 2000 Module on Trading Opportunities for EPPs.

International cooperation on standard-related issues

22. Experts recommended that UNCTAD, in cooperation with other organizations, explore ways to promote the practical application of the concept of equivalence and mutual recognition between governmental and private sector standards for agricultural products in general and organic produce in particular.

B. Possible follow-up activities

Diversification and commodity based development

23. Since the beginning of 2001, UNCTAD has been implementing a project entitled "Capacity building for diversification and commodity based development", the aim of which is to assist developing countries' efforts directed towards horizontal, vertical and geographical diversification of production and trade structures.⁴ Agriculture, particularly the horticultural sector, has been the main focus of this project. In this connection, six regional workshops have already been organized: three in Africa and one each in Asia, Latin America and the Pacific region. In addition, several national workshops are planned in order to respond to specific needs expressed by individual countries or small groups of countries. These needs, in most cases, are closely related to the recommendations of the experts. However, crucial country-level implementation of follow-up activities will depend on the availability of finance.

24. The experts' discussions and proposals at the Expert Meeting of the experts have been taken into account in the implementation of this project.

UNEP - UNCTAD Capacity Building Task Force on Trade, Environment and Development

25. An important aim of the CBTF is to support interested developing countries in promoting trading opportunities for EPPs, particularly by organic products, non-wood forest products and products based on the use of traditional knowledge. As part of the CBTF, a special programme been designed to help meet the needs of LDCs.⁵

26. A number of developing countries, including LDCs, have proposed projects aimed at enhancing the production and export of EPPs, particularly organic products, for implementation in the framework of the CBTF. At the time of the drafting of this document, a CBTF workshop was being prepared to discuss *inter alia* policy options to create and to seize trading opportunities for organic agricultural products from developing countries.⁶ The workshop may provide an impetus for the design and implementation of CBTF-supported activities in this area.

Least developed countries

27. The Commission may wish to invite member States to support ongoing activities and new initiatives by the secretariat to help implement relevant commitments undertaken at the Third United Nations Conference on the Least Developed Countries, in the areas of strengthening commodity supply capacities and promoting trading opportunities for EPPs.

⁴ For information, see <http://www.unctad.org/infocomm/Diversification/index.htm>

⁵ For more information in this regard, see www.unep-unctad.org/cbtf/

⁶ The workshop is being funded by a grant from the European Commission to the CBTF project "Research and policy dialogue on promoting trading opportunities for environment-friendly products, in particular organic agricultural products".

28. These include initiatives in the areas of diversification of commodities and of the special programme for LDCs developed under the joint UNEP - UNCTAD CBTF, particularly with regard to organic products and traditional knowledge.⁷

⁷ Experts emphasized the need to support "LDCs' efforts to develop and take advantage of niche markets for ... organic products and handicrafts, as well as cultural products" (paragraph 68(bb) of the Programme of Action for the Least Developed Countries for the Decade 2001 - 2010).